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TAGS: [PGOV](#) [AS](#)  
SUBJECT: COSTELLO RULES OUT BECOMING LIBERAL PARTY LEADER

Classified By: Political Counselor James F. Cole, for reasons 1.4 (b) and (d).

11. (SBU) SUMMARY: Treasurer and Deputy Liberal Party Leader Peter Costello announced the day after his party lost the federal election on November 24 that he would not contest the Liberal leadership, throwing plans for a smooth transition into chaos. Mark Vaile also announced on November 26 that he would step down as National Party leader. Generally considered John Howard's "heir apparent" and supported by Howard himself during his concession speech, Costello said he would move to the backbench for the next term of parliament. Shortly thereafter, former Environment Minister Malcolm Turnbull announced his intention to contest the leadership. Former Health Minister Tony Abbott said he too would be a candidate for Liberal Party Leader. Foreign Minister Alexander Downer and Defense Minister Brendan Nelson are said to be discussing with their colleagues whether to run for party leader but the race for Liberal Party leader is wide open. Ex-Education Minister Julie Bishop and former cabinet members Andrew Robb and Chris Pyne are thought to be considering a run as Deputy Leader. END SUMMARY.

COLLEAGUES SHOCKED

12. (C/NF) The morning after the election, Costello called a press conference. He said that the time had come for him to open a new chapter in his life and build a career in the commercial world. He added that he thought it was time for the young people of talent and ability in the Liberal Party to be given their chance. In his concession speech, Howard had said that he believed the future of the Liberal Party lay with Peter Costello. Former Finance Minister Nick Minchin and Downer had also publicly supported Costello after the election. Costello's announcement, which came soon after this endorsement by senior Liberals, indicates he must have been contemplating this move for a while -- without the knowledge of the senior Liberal Party leadership. While this makes sense for Costello, who would have gone into opposition leading a party out of power federally and in every state and territory in Australia and who will never be more marketable in the private sector than he is right now, some of his Liberal Party colleagues reacted to the news by calling him "gutless."

TURNBULL POUNCES; COLLEAGUES RUSH TO THE PHONES

13. (C/NF) That afternoon, Turnbull called a press conference to announce he would be seeking the leadership: "I will deliver, if elected to the leadership of the Liberal Party, the energy and the drive and the determination to win," Mr. Turnbull said yesterday. The socially-moderate Turnbull also appeared on several television morning talk shows to tout his vision for a more progressive Liberal Party. According to his campaign manager, Turnbull had even quietly contributed money to the individual campaigns of Liberal MPs he believed would win their elections. Following this announcement,

Nelson, Abbott and Downer sounded out colleagues. Former Vocational Education and Training Minister Andrew Robb has announced for Deputy Leader. Ex-Minister for Aging Christopher Pyne, who just hung on to his seat in the election, and Education Minister Julie Bishop are consulting colleagues over whether they will also seek the Deputy Leadership.

#### POTENTIAL FOR A NASTY FIGHT

¶4. (C/NF) COMMENT: The race for Liberal Party leader is now wide open. This could lead to a fierce factional battle wide open. This could lead to a fierce factional battle between a more progressive Turnbull and the more conservative Abbott, and has the potential to divide an already-weakened Liberal Party. While Turnbull has the ambition to lead and the star power and fund-raising ability to keep his party energized, he is thought to have benefited himself at the expense of the team by leaking information from a cabinet meeting in which he said the Government should sign Kyoto. This did not endear him to his colleagues. Abbott, from the right-wing of the New South Wales Liberal Party, is a quick-witted, ideological warrior who had a very poor campaign. His insult of an asbestosis campaigner who is now on his deathbed showed very poor judgment on his part. The ambitious Nelson, a former Labor Party member who performed solidly as Defense Minister, has assiduously courted his colleagues since he was elected in 1996 and is subsequently more popular in the Liberal Party caucus than Turnbull and Abbott. A moderate, Nelson is a doctor who was a former president of the Australian Medical Association. (NOTE: his grasp of detail is so acute that his nickname among other politicians is "rain man.") He may also be well-positioned

as a compromise candidate. Downer, a former Liberal Party leader, was foreign minister as long as Howard was Prime Minister. Picking him would not signal a change in direction for the Party. As Deputy Leader, Julie Bishop, intelligent, photogenic and a former successful barrister from Western Australia, would be a good match-up for incoming Labor Deputy Prime Minister Julia Gillard.

MCCALLUM